



**BANK OF ENGLAND**



**Press Office**  
Threadneedle Street  
London EC2R 8AH  
T 020 7601 4411  
F 020 7601 5460  
press@bankofengland.co.uk  
www.bankofengland.co.uk

**Press Office**  
25 The North Colonnade  
Canary Wharf  
London E14 5HS  
T 020 7066 3232  
pressooffice@fca.org.uk  
www.fca.org.uk

# Statistical release

Published on 11 March 2014 at 09:30

## Mortgage Lenders and Administrators Statistics for 2013 Q4 (derived from the Mortgage Lenders & Administrators Return (MLAR))

### Residential loan amounts outstanding

The overall value of the residential loan amounts outstanding in Q4 2013 was £1,238 billion, an increase of 0.4% compared to Q3 and an increase of 0.8% over the past four quarters.

Amounts outstanding on regulated loans were £976 billion and constituted 79% of total in Q4 2013, almost unchanged from Q3 2013. Non-regulated loans continued to decrease in the quarter by 1.9% to £262 billion.

The value of securitised amounts outstanding continued to decline – by a further 4.2% in Q4 2013 to £106 billion. Unsecuritised amounts outstanding, however, continued to increase to £1,132 billion in Q4 2013. Thus, the proportion of total amounts outstanding of securitised balances decreased for the fifth quarter in a row to 8.6%, the lowest level since the series began in 2007.

**Table A: Securitised and unsecuritised residential loan balances**

Regulated and non-regulated mortgages

£ billions

Not seasonally adjusted

	2010 Q4	2011 Q4	2012 Q4	2013 Q1	Q2	Q3	Q4
Regulated:							
Unsecuritised	825.2	847.0	867.4	871.4	876.5	886.2	897.8
Securitised	91.0	89.7	89.1	85.7	84.1	80.3	78.3
<b>Subtotal</b>	<b>916.3</b>	<b>936.7</b>	<b>956.5</b>	<b>957.1</b>	<b>960.6</b>	<b>966.5</b>	<b>976.1</b>
Non regulated:							
Unsecuritised	258.9	249.8	238.8	238.2	237.2	236.5	234.1
Securitised	37.8	31.9	33.3	32.6	31.9	30.8	28.1
<b>Subtotal</b>	<b>296.8</b>	<b>281.7</b>	<b>272.1</b>	<b>270.8</b>	<b>269.1</b>	<b>267.4</b>	<b>262.2</b>
Total: (Regulated + Non regulated):							
Unsecuritised	1,084.2	1,096.8	1,106.2	1,109.6	1,113.7	1,122.7	1,131.9
Securitised	128.9	121.6	122.4	118.3	116.0	111.1	106.4
<b>Total</b>	<b>1,213.1</b>	<b>1,218.5</b>	<b>1,228.7</b>	<b>1,227.9</b>	<b>1,229.7</b>	<b>1,233.8</b>	<b>1,238.3</b>

### New business volumes

Gross advances of £51.5 billion were recorded in Q4 2013, which was 31% higher compared to Q4 2012 and was the highest amount advanced in a quarter since Q3 2008. While gross advances in Q4 were weaker than in Q3 in 2010 to 2012, in Q4 2013 gross advances were 4% higher than in Q3 2013.

Net advances were £9.0 billion, and this was more than double that advanced in Q4 2012, a record high since Q4 2008.

New commitments increased in value to £50.3 billion in Q4 2013. This represented a drop of 0.4% compared to Q3 2013 but was 36% higher compared to Q4 2012.

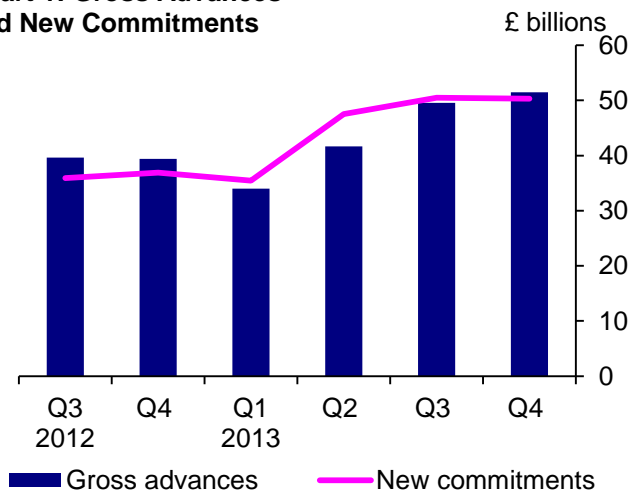
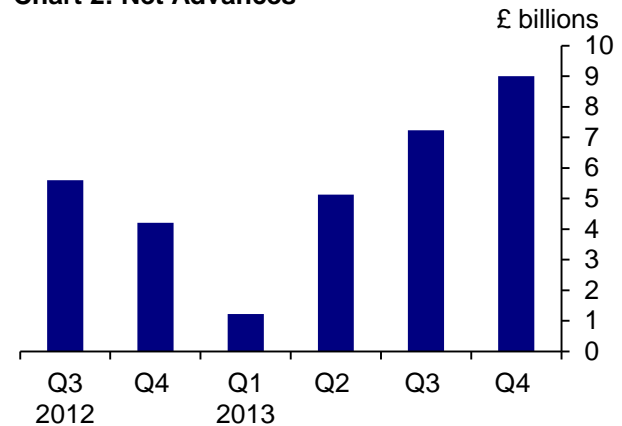
**Table B: Residential loans to individuals flows and balances**

Regulated and non-regulated mortgages

£ billions

Not seasonally adjusted

	2010 Q4	2011 Q4	2012 Q4	2013 Q1	Q2	Q3	Q4
<b>Business flows</b>							
Gross advances	36.8	40.1	39.4	34.0	41.7	49.5	51.5
Net advances	1.2	4.1	4.2	1.2	5.1	7.2	9.0
New commitments	34.6	37.0	36.9	35.5	47.5	50.5	50.3
<b>Balances outstanding</b>							
Loans (exc overdrafts)	1,084.2	1,096.8	1,106.2	1,109.6	1,113.7	1,122.7	1,131.9
Commitments	66.0	66.4	52.4	66.9	67.6	69.2	71.0

**Chart 1: Gross Advances and New Commitments****Chart 2: Net Advances**

### Lending characteristics of gross advances

#### Interest rate trends on residential lending

The proportion of gross advances at fixed rates increased for the fifth quarter in a row to 80.3% in Q4 2013. This was an increase of 3.0 percentage points compared to Q3 2013 and the highest proportion since the series began in 2007. The proportion of balances outstanding on fixed rate loans has increased by 2.2 percentage points since Q3 2013 to 32.9%.

The overall average interest rate on gross advances continued its decline since Q3 2012 and decreased by 7bps in Q4 2013 to 3.25%. This is the lowest interest rate recorded since the series began in 2007. It was driven by the decreases in fixed rate loan average rates by 10bps to 3.30% and variable rate loan average rates by 8bps to 2.99%.

The overall average interest rate on total amounts outstanding decreased slightly by 4bps to 3.36% in Q4 2013, the lowest since the series began in 2007. This was entirely due to the decrease in the average interest rate for fixed rate balances of 18bps to 3.85% since the interest rate on variable rate loans remained unchanged at 3.12%.

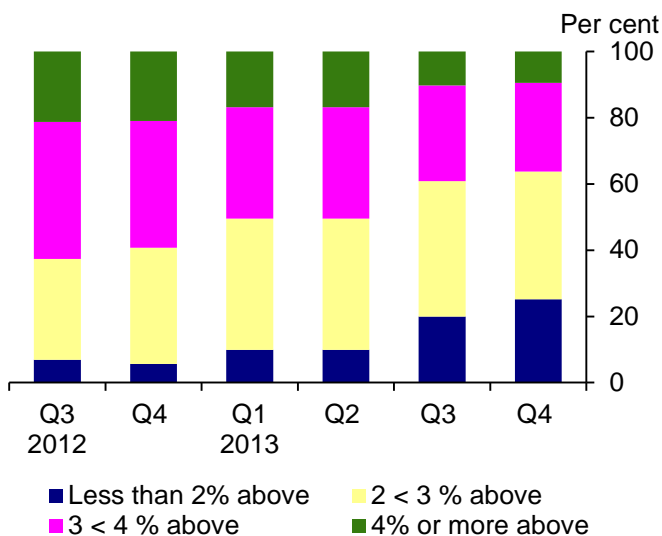
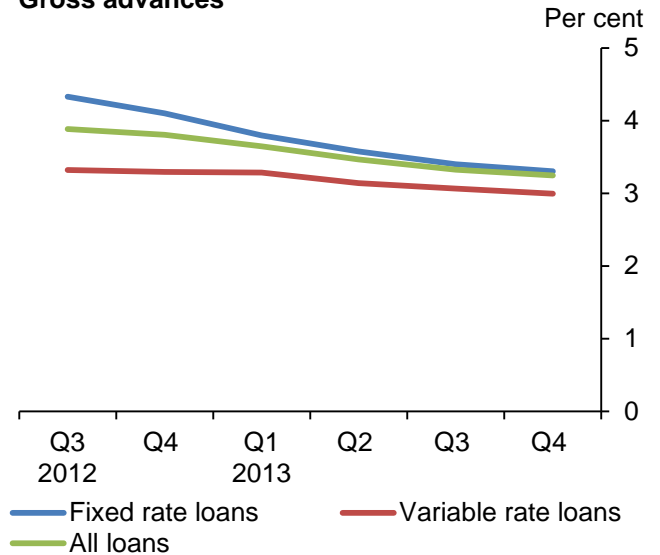
**Table C: Interest rates**

Regulated and non-regulated mortgages

Per cent

Not seasonally adjusted

	2010 Q4	2011 Q4	2012 Q4	2013 Q1	Q2	Q3	Q4
<b>Interest rate basis</b>							
Percent of business at fixed rates							
Gross advances	45.9	53.5	63.5	70.7	75.3	77.3	80.3
Balances outstanding	31.5	28.1	27.9	28.4	29.3	30.7	32.9
<b>Weighted average interest rates</b>							
Gross advances							
Fixed rate loans	4.38	3.94	4.10	3.80	3.58	3.40	3.30
Variable rate loans	3.03	2.96	3.30	3.28	3.14	3.07	2.99
<b>All loans</b>	<b>3.65</b>	<b>3.48</b>	<b>3.81</b>	<b>3.65</b>	<b>3.47</b>	<b>3.32</b>	<b>3.25</b>
Balances outstanding							
Fixed rate loans	5.19	4.83	4.49	4.37	4.22	4.03	3.85
Variable rate loans	2.84	2.89	3.09	3.10	3.10	3.12	3.12
<b>All loans</b>	<b>3.58</b>	<b>3.44</b>	<b>3.48</b>	<b>3.47</b>	<b>3.43</b>	<b>3.40</b>	<b>3.36</b>

**Chart 3: Percentage of business above Bank Rate - Gross Advances****Chart 4: Weighted average interest rates - Gross advances****Breakdown by purpose of new lending (proportions of total residential loans to individuals)**

The proportion of lending for house purchase in Q4 2013 was 68.2%, 0.6 percentage points higher than in Q3 2013. The amount of gross advances for house purchase in Q4 2013 was 35% higher compared to Q4 2012, at £35.1 billion.

The proportion of lending to first time buyers increased to 20.6% in Q4 2013, the highest proportion since the series began in 2007. The value of residential loans advanced to first time buyers increased by £3.1 billion over the past year to £10.6 billion, an increase of 41% and the highest since Q3 2007.

The proportion of lending for remortgage remained unchanged at 26.5% in Q4 2013. The value of remortgage lending, however, compared to Q4 2012, increased by 24% from £11 billion to £13.6 billion in Q4 2013.

The buy to let (BTL) proportion of lending increased to 12.8% in Q4 2013. There was a 51% increase in value terms over the past year – from £4.3 billion advanced in Q4 2012 to £6.6 billion in Q4 2013. This was the highest quarterly amount since Q2 2008.

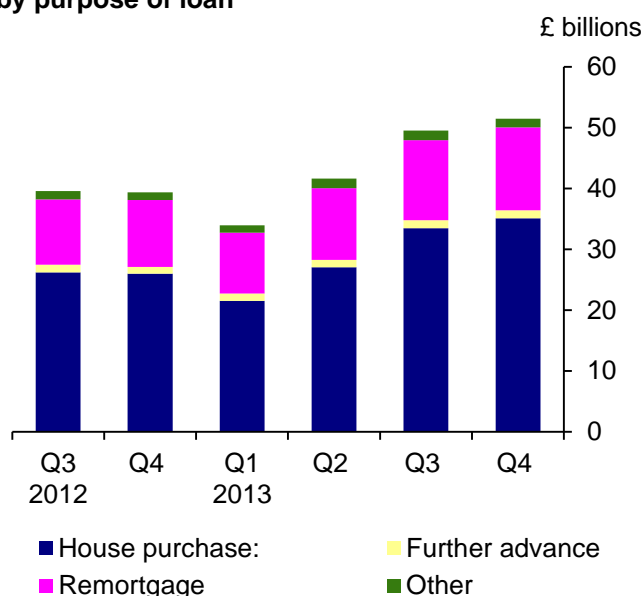
The proportion of other new lending (including lifetime and equity release mortgages) fell back further from 3.2% in Q3 2013 to 2.7% in Q4 2013.

**Table D: Residential loans to individuals by purpose of loan**

Regulated and non-regulated mortgages

Not seasonally adjusted

By purpose of loan:	2010 Q4	2011 Q4	2012 Q4	2013 Q1	Q2	Q3	Q4
<b>Advances</b>							
<b>Per cent</b>							
House purchase:	60.6	61.2	66.0	63.4	65.0	67.6	68.2
Owner occupation:							
FTBs	16.4	16.6	19.1	18.2	19.1	20.0	20.6
Other	36.5	35.2	35.9	33.1	33.7	35.7	34.9
Buy to let	7.7	9.4	11.0	12.1	12.1	11.9	12.8
Further advance	4.2	3.6	2.8	3.5	3.0	2.7	2.5
Remortgage	31.4	32.2	27.9	29.4	28.3	26.5	26.5
Other	3.9	3.0	3.3	3.7	3.8	3.2	2.7
<b>Amount (£ billions)</b>							
House purchase:	22.3	24.6	26.0	21.5	27.1	33.5	35.1
Owner occupation:							
FTBs	6.0	6.6	7.5	6.2	8.0	9.9	10.6
Other	13.5	14.1	14.1	11.2	14.1	17.7	18.0
Buy to let	2.8	3.8	4.3	4.1	5.0	5.9	6.6
Further advance	1.5	1.4	1.1	1.2	1.2	1.3	1.3
Remortgage	11.5	12.9	11.0	10.0	11.8	13.2	13.6
Other	1.4	1.2	1.3	1.3	1.6	1.6	1.4
<b>Total</b>	<b>36.8</b>	<b>40.1</b>	<b>39.4</b>	<b>34.0</b>	<b>41.7</b>	<b>49.5</b>	<b>51.5</b>

**Chart 5: Breakdown of gross advances by purpose of loan**

The upward trend in proportions of new commitments for house purchase continued in Q4 2013 and they increased to 66.1% from 63.5% in Q4 2012. This was also reflected in the value of new commitments for house purchase, which increased by 42% from £23.4 billion in Q4 2012 to £33.2 billion in Q4 2013.

New commitments for re-mortgaging as a proportion of total commitments fell back by 1.0 percentage points to 29.1% in Q4 2013. In value terms for the past year, however, there was an increase of 29% from £11.4 billion in Q4 2012 to £14.6 billion in Q4 2013.

**Table E: New commitments by purpose of loan**

Regulated and non-regulated mortgages  
Not seasonally adjusted

By purpose of loan:	2010 Q4	2011 Q4	2012 Q4	2013 Q1	Q2	Q3	Q4
<b>New commitments in quarter</b>							
<b>Per cent</b>							
House purchase	55.3	57.8	63.5	62.9	67.1	64.9	66.1
Remortgage	36.0	34.5	30.8	30.8	27.5	30.1	29.1
Other (inc further advances)	8.7	7.7	5.7	6.4	5.5	5.0	4.8
<b>Amount (£ billions)</b>							
House purchase	19.1	21.4	23.4	22.3	31.9	32.8	33.2
Remortgage	12.4	12.8	11.4	10.9	13.1	15.2	14.6
Other (inc further advances)	3.0	2.9	2.1	2.3	2.6	2.5	2.4
<b>Total</b>	<b>34.6</b>	<b>37.0</b>	<b>36.9</b>	<b>35.5</b>	<b>47.5</b>	<b>50.5</b>	<b>50.3</b>

### Lending criteria

The proportion of gross advances at a high LTV (i.e. over 90%) was little changed at 2.1% in Q4 2013. The proportion of gross advances to high single income multiple borrowers (i.e. more than 4.00x) increased in Q4 2013 by 1.1 percentage points to 11.6% compared to Q3 2013.

The proportion of gross advances to high joint income multiple borrowers (i.e. more than 3.00x) dropped slightly by 0.2 percentage points in Q4 2013 to 27.0%. The proportion of new lending that is a combination of high LTV and high income multiple increased by 0.2 percentage points to 1.5%.

**Table F: Gross advances by income multiple and loan to value (LTV) ratios**

Regulated and non-regulated mortgages  
Percent of gross advances  
Not seasonally adjusted

	2010 Q4	2011 Q4	2012 Q4	2013 Q1	Q2	Q3	Q4
<b>Single income multiple:</b>							
Less than 2.50	10.6	10.1	10.4	10.5	10.0	9.3	9.2
2.50 < 3.00	5.3	5.1	4.9	4.9	4.7	4.3	4.4
3.00 < 4.00	12.4	11.9	11.5	11.5	11.1	10.5	11.1
4.00 or over	10.0	10.1	10.7	10.0	10.2	10.5	11.6
Other	8.3	10.7	12.1	13.1	12.1	12.1	12.2
<b>Total on Single income</b>	<b>46.6</b>	<b>48.0</b>	<b>49.6</b>	<b>50.0</b>	<b>48.1</b>	<b>46.7</b>	<b>48.5</b>
<b>Joint income multiple:</b>							
Less than 2.00	10.1	9.5	9.3	9.5	9.4	8.8	8.0
2.00 < 2.50	7.9	7.5	7.1	7.1	7.4	7.7	7.2
2.50 < 3.00	10.2	9.4	9.2	9.0	9.2	8.5	8.2
3.00 or over	24.0	24.6	23.7	23.1	24.8	27.2	27.0
Other	1.2	1.1	1.1	1.2	1.1	1.1	1.1
<b>Total on Joint income</b>	<b>53.4</b>	<b>52.0</b>	<b>50.4</b>	<b>50.0</b>	<b>51.9</b>	<b>53.3</b>	<b>51.5</b>
<b>LTV</b>							
< = 75%	70.4	67.6	66.3	67.0	65.2	65.1	64.6
Over 75 < = 90%	27.4	30.5	31.7	30.9	32.3	32.7	33.3
Over 90 < = 95%	1.6	1.5	1.7	1.6	2.0	1.7	1.7
Over 95%	0.6	0.4	0.4	0.5	0.5	0.5	0.4
<b>High LTV (Over 95%) and High income multiple</b>	<b>1.2</b>	<b>1.0</b>	<b>1.2</b>	<b>1.3</b>	<b>1.6</b>	<b>1.3</b>	<b>1.5</b>

## Arrears and possessions

The number of new arrears cases in Q4 2013 was 29,208. This was 2.9% lower than in Q3 2013 and was the lowest since the series began in 2007. The amount of new arrears also experienced a 16.3% decline from Q4 2012 to Q4 2013 and stood at £55 million.

The total number of loan accounts with reportable arrears continued decreasing - from 279,649 in Q3 2013 to 264,862 in Q4 2013, a reduction of 5.3% and the lowest since Q1 2007.

The performance of loans in arrears – payments received as a percentage of payments due – also kept improving for the sixth quarter in a row to 61.9% in Q4 2013.

**Table G: Arrears**

Regulated and non-regulated mortgages  
Not seasonally adjusted

Loans in Arrears	2010 Q4	2011 Q4	2012 Q4	2013 Q1	Q2	Q3	Q4
<b>New cases in the quarter (ie moving into 1.5 &lt; 2.5% band)</b>							
Number of loan accounts	40,306	34,558	34,721	36,935	32,516	30,086	29,208
Amount of arrears (£ millions)	78	66	66	68	61	56	55
Balance outstanding (£ millions)	4,200	3,543	3,551	3,657	3,286	3,018	2,975
<b>Arrears cases at end of quarter</b>							
Number of loan accounts	343,459	313,224	297,572	299,520	292,178	279,649	264,862
Amount of arrears (£ millions)	2,030	1,841	1,766	1,750	1,718	1,695	1,630
Balance outstanding (£ millions)	35,750	31,855	29,558	29,336	28,472	27,138	25,985
Balances as % of total loan balances (per cent)	2.95	2.61	2.41	2.39	2.32	2.20	2.10
Performance of arrears cases in Qtr (per cent)	55.45	58.24	57.59	58.31	60.50	61.40	61.85
<b>Arrears cases by severity</b>							
<b>Balances on cases in arrears as per cent of total loan balances</b>							
1.5 < 2.5% in arrears	0.84	0.77	0.74	0.74	0.72	0.68	0.65
2.5 < 5.0% in arrears	0.98	0.86	0.79	0.79	0.77	0.73	0.69
5 % or more in arrears	0.94	0.79	0.71	0.70	0.69	0.67	0.64
In possession	0.18	0.18	0.16	0.15	0.14	0.13	0.11
<b>Total</b>	<b>2.95</b>	<b>2.61</b>	<b>2.41</b>	<b>2.39</b>	<b>2.32</b>	<b>2.20</b>	<b>2.10</b>
<b>Number of cases in arrears as per cent of total number of loans</b>							
1.5 < 2.5% in arrears	0.61	0.57	0.59	0.60	0.58	0.55	0.53
2.5 < 5.0% in arrears	0.70	0.64	0.64	0.65	0.63	0.61	0.58
5 % or more in arrears	0.85	0.77	0.77	0.77	0.76	0.74	0.71
In possession	0.10	0.10	0.09	0.09	0.08	0.08	0.07
<b>Total</b>	<b>2.26</b>	<b>2.09</b>	<b>2.08</b>	<b>2.11</b>	<b>2.06</b>	<b>1.98</b>	<b>1.90</b>

New possession cases totalled 6,137 in Q4 2013 – a reduction of 21% from Q4 2012. Sales of possession cases were down 19% from 9,447 in Q4 2012 to 7,626 in Q4 2013.

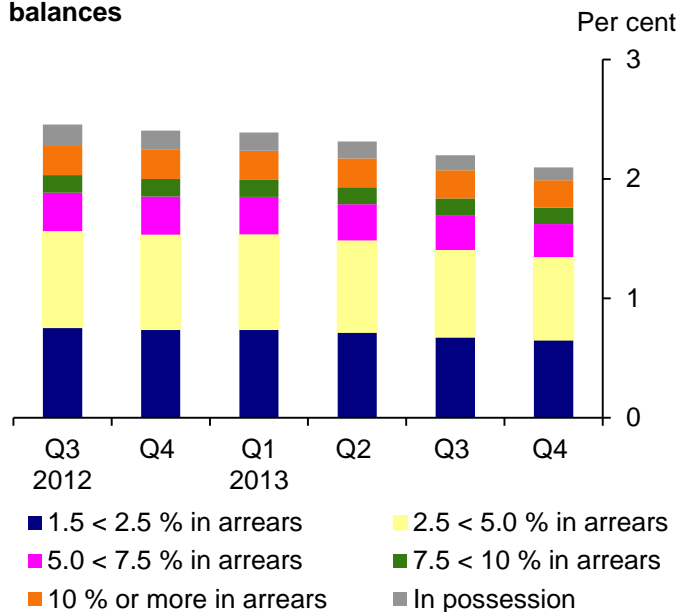
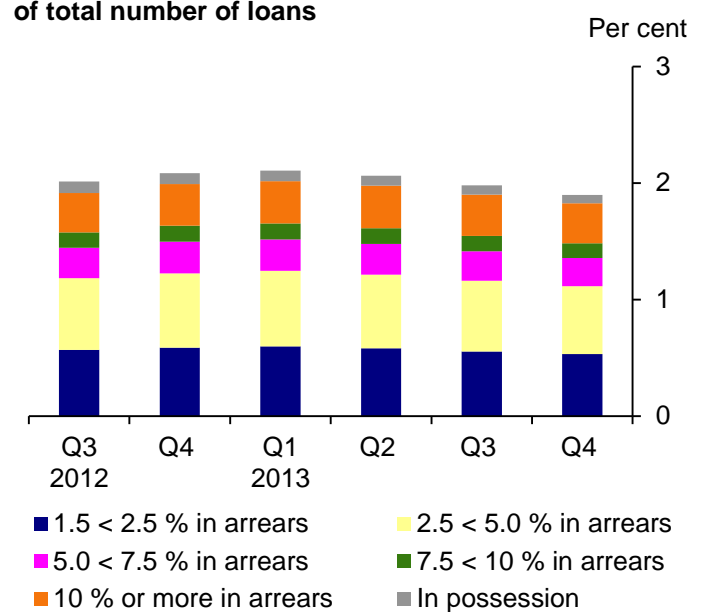
Possession sales outstripped new possessions for the ninth quarter in a row, so the stock of possession cases remaining unsold declined from 11,326 in Q3 2013 to 9,962 in Q4 2013, the lowest level since the series began in 2007.

A total amount of arrears of £32 million on 8,191 accounts were capitalised in Q4 2013. This was an increase of 2.2% in the number of capitalised arrears accounts compared to Q3 2013.

**Table H: Possessions**

Regulated and non-regulated mortgages  
Not seasonally adjusted

Possession cases: movements & stocks	2010 Q4	2011 Q4	2012 Q4	2013 Q1	Q2	Q3	Q4
	New possessions	8,246	8,924	7,792	8,092	7,795	7,349
Possession sales	9,227	9,456	9,447	8,499	8,506	7,973	7,626
Stocks of possessions at end quarter	15,468	15,457	13,321	12,877	12,034	11,326	9,962
<b>Capitalisations of arrears cases</b>							
Number in quarter	13,713	9,813	8,773	8,139	7,556	8,013	8,191
Arrears capitalised in quarter (£ millions)	37	36	33	29	27	29	32
Balance outstanding at end quarter (£ millions)	1,424	983	953	892	810	868	901

**Chart 6: Balance on cases in arrears as % total loan balances****Chart 7: Number of cases in arrears as a proportion of total number of loans****About these data:**

As noted in the March 2013 [article](#), with effect from June 2013, this Bank of England and FCA Statistical Release on Mortgage Lenders and Administrators Statistics replaces the Statistics on Mortgage Lending release previously published by the FSA. There is some overlap in the data covered in this release and with the Bank of England releases on [Money and Credit](#) and on [Effective Interest Rates](#), and also with statistics published by [the Council of Mortgage Lenders](#). It should be appreciated that differences in reporting populations, definitions and seasonal adjustment will affect any direct comparisons of data series reported across these releases.

Please note that as part of ongoing development work, it is the intention to re-number the "Detailed tables" for the June 2014 release. Please [contact us](#) if you require any further details.

Further information can be found in the explanatory notes, available at <http://www.bankofengland.co.uk/statistics/Pages/iadb/notesiadb/mlar.aspx>

If you have any queries with regards to these data please contact either the PRA (email [MLAR@bankofengland.co.uk](mailto:MLAR@bankofengland.co.uk) or call 020 7601 5478) or FCA (email [mlarstatistics@fca.org.uk](mailto:mlarstatistics@fca.org.uk)) as required.

## Technical notes

### General

- 1 Around 300 regulated mortgage lenders and administrators are required to submit a Mortgage Lenders & Administrators Return (MLAR) each quarter, providing data on their mortgage lending activities and covering both regulated and non-regulated residential lending to individuals. Following the creation of the Bank of England Prudential Regulation Authority (PRA) and of the Financial Conduct Authority (FCA) on 1 April 2013, these mortgage lending statistics are compiled and published jointly by the two regulators.
- 2 Please note that tables in this release are summaries of more detailed data tables available at <http://www.bankofengland.co.uk/prd/Pages/regulatorydata/mlar/2013/q4publication.aspx>. The linkages between these information sets in each case are as follows:

Release Table	Underpinning Data
A	Table 1.11
B	Table 1.21
C	Table 1.22
D	Table 1.33
E	Table 1.33
F	Table 1.31
G	Table 1.7
H	Table 1.7

### Regulated and non-regulated loans

- 3 A regulated loan is a loan to an individual, secured by a first charge on residential property, and where the property is for the use of the borrower or a close relative.
- 4 A non-regulated loan for MLAR purposes is all other mortgage lending to individuals that is not regulated. It includes buy-to-let lending, second charge lending and, in some cases, further advances on loans that were originally taken out before regulation came into effect on 31 October 2004.
- 5 All mortgage loans extended before 31 October 2004 are classified as non-regulated. This means that there will be a gradual shift over time in numbers and amounts outstanding from the non-regulated to regulated mortgage lending categories, as older mortgages are paid off or are subject to re-mortgaging. Flows of non-regulated mortgage lending have been modest compared to regulated mortgage lending since that date.

### Securitisations

- 6 Some lenders parcel up loans into a special purpose vehicle (SPV), and create Loan Notes secured on the parcel of loans ("securitisation"). They sell the Notes to third party investors; thereby raising funding that broadly matches the loans, with the risks attached to the loans passing from the lender to the Note holders.
- 7 Additional guidance has been given on the classification of securitised loans where that security has subsequently been used as collateral for Bank of England liquidity schemes, such as the Special Liquidity Scheme. For more details see <http://www.fca.org.uk/firms/systems-reporting/gabriel/help/mla>. In such circumstances the risks attaching to the performance of the underlying pool of loans remains with the lender and no risk transfer has taken place to the Bank of England; these loans should therefore be reported on the MLAR as un-securitised loans. Due to this, there has been some reclassification between the securitised and un-securitised portfolios. This affects the series in tables 1.4 and 1.6 in particular.

### New business volumes

- 8 Data are collected on three prime measures for the unsecuritised loan book:
  - Gross advances: the amount of new loans to borrowers.



- Net advances: the amount of gross advances less borrower repayments (including normal periodic repayments on capital repayment loans; repayment of existing loans at time of re-mortgage or house move etc.).

- New commitments: the amount of new lending that a lender has agreed to advance in coming months to house movers, re-mortgagers, first time buyers, and those seeking a further advance.

## Lending criteria

- 9 The two main measures within the dataset of lending criteria are loan to value (LTV, the loan as a percentage of the value of the property) and income multiple (the loan advance as a multiple of income, defined as the borrower's main income, pre-tax). Income multiple calculations are reported separately for single income and for joint income loan applications.
- 10 Another characteristic of new lending is information about whether a borrower had an impaired credit history at the time of the new loan application. The MLAR definition of an impaired credit history includes borrowers with any of the following: arrears of three months or more on a previous loan in the last two years; county court judgment (CCJ) over £500 in the last three years; or being subject to a bankruptcy order or IVA at any time in the last three years.

## Interest rate analysis

- 11 MLAR classifies mortgage lending by fixed or variable rate basis, and collects data on average interest rate margins defined as the margin of the interest rate over the Bank of England Bank Rate (BBR). Fixed rate includes all products subject to a fixed interest rate for a stated period or subject to a cap or collar arrangement, but not variable rate products subject to annual review payment arrangements. Variable interest rates cover all other interest bases, including those at a premium or discount to an administered rate.
- 12 Weighted average interest rates are calculated by weighting the relevant nominal interest rates applying over the quarter by amounts outstanding at the previous reporting date, by individual products.

## Arrears and possessions

- 13 Arrears are defined as instances when any contractual payments, of capital, interest fees or other charges, are overdue at the reporting date. Arrears reported in the MLAR data relate only to loans where the amount of actual arrears is 1.5% or more of the borrower's current loan balance. For example, if the loan balance is £100,000 arrears in respect of the loan will only be captured in MLAR once they have reached £1,500 or more.
- 14 For accounts in arrears, a temporary concession is defined as an agreement with the borrower whereby the monthly payments are either suspended or less than they would be on a fully commercial basis. A formal arrangement is defined as either an agreement to capitalise all or part of past arrears or an agreement to make increased monthly payments to reduce some or all of the existing arrears. Amounts in arrears subject to temporary concessions continue to be classified as arrears. Amounts in arrears subject to capitalisation arrangements are reported as arrears until the criteria for 'fully performing loans' are met, which include that the revised schedule of loan repayments has been met for at least six months.
- 15 Information on accounts with temporary concessions or formal arrangements relates only to those cases which have arrears over the reportable threshold. There may be other types of forbearance in place for some borrowers which are not captured in these figures as they are either not yet in arrears, or the arrears are not sufficiently large to be reportable.
- 16 Data are collected on the performance of loans in arrears. Performance is measured as payments received in the quarter expressed as a percentage of payments due (i.e. under normal commercial terms to fully service the mortgage debt).
- 17 For accounts in arrears, data on capitalisations are also collected and published. Capitalisations are defined as formal arrangements to add all, or part of, a borrower's arrears to the amount of outstanding principal.
- 18 A 'possession' relates to any method by which, in an arrears case, the lender takes the secured property into their possession (including by a court Possession Order, or by voluntary surrender by the borrower). This also

includes cases where Receivers of Rent have been appointed. MLAR possessions data relate to individual loan accounts in possession.

### **Arrears as a percentage of balances approach**

- 19 The 1.5% threshold used in the “arrears as a percentage of balances approach” was adopted to replace an earlier 2.5% threshold that had been used in analysis of building society arrears from the early 1990s.
- 20 For ease of comparison, sub-totals for a 2.5% threshold as well as for the 1.5% threshold are presented in the Detailed Tables on arrears. More detail is available in the Frequently Asked Questions (FAQs) relating to the MLAR on the FCA website at <http://www.fca.org.uk/firms/systems-reporting/gabriel/help/mla>.

### **Loan accounts in arrears**

- 21 It should be noted that numbers of loan accounts in arrears, which is the basis on which these data are reported in the MLAR statistics, need not equate to the number of borrowers in arrears. Numbers of individual loan accounts in arrears will include arrears rising on:
- First charge loans;
  - Second and subsequent charge loans (where the borrower takes an extra loan from another lender); and
  - Some further advance loans (cases where the first charge lender establishes a further advance on the original mortgage as a separate loan account, but is unable to combine the two accounts for MLAR reporting purposes).
- 22 As a result, arrears numbers on the MLAR are reported on a different basis from, and are materially higher than the corresponding data published by the Council for Mortgage Lenders (CML), on numbers of first charge mortgages in arrears. A second, more significant, difference between these datasets which adds to this effect is the use of a higher percentage of balances threshold for arrears, 2.5% in the case of CML data, compared to 1.5% in the case of MLAR data.

### **Loan accounts in possession**

- 23 This number does not represent the number of borrowers that have been subject to possession. It represents the number of individual loan accounts in possession, and covers possessions arising on:
- First charge loans
  - Second and subsequent charge loans (where the borrower takes an extra loan from another lender)
- 24 In practice however, where a borrower has first and second charge loans with separate lenders, it will not always be the case that both lenders report their loan accounts as a possession. MLAR possession figures also include cases where a Receiver of Rent has been appointed.